

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
Children’s Hospital Program of 2008 (Proposition 3)**

**Staff Summary  
Resolution No. CHP-3 2014-01  
March 27, 2014**

**Applicant:** Children’s Hospital Central California  
9300 Valley Children’s Place  
Madera, California 93636  
Madera County

**Project Sites:** Same as above

**Amount Requested:** \$8,077,556

Grant # CHCC-04-03

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(74,000,000)	(24,712,401)
less requested amount	0	(8,077,556)
Remaining Amount Eligible (if requested amount is approved)	\$0	\$65,210,043

**Description of Applicant:**

Children’s Hospital Central California (“CHCC” or “the hospital”) is a nonprofit acute care pediatric hospital with a current license from the Department of Public Health. The hospital’s Fiscal Year 2013 (year ending September 30) audit was submitted and is free of “going concern” language.<sup>1</sup>

**Project:**

CHCC is seeking grant funds to reimburse: (1) the purchase and installation of a surgery air handler unit; (2) the purchase of patient care equipment that includes ventilators, ultrasound machines, instrument sterilization equipment, an intravenous (IV) dosing system, and other diagnostic and treatment equipment used in the areas of transport, surgery, laboratory, clinics and radiology; (3) additional information technology devices and software for the Electronic Medical Record (EMR) system and an upgrade of the Picture Archiving and Communication System (PACS) which digitally manages the sharing of x-rays and other diagnostic images.

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<sup>1</sup> The absence of “going concern” language tends to suggest the organization is in good operational health for that fiscal year. The Authority’s regulations define “Going Concern Qualification” in sections 7030(n) and 7051(n) for Proposition 61 and Proposition 3, respectively.

### **Proposition 3 Evaluation Factors:**

Staff evaluated CHCC's project through review of the application and other submitted materials using the six factors identified in Proposition 3.

*Factor 1: The grant will contribute toward expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children:*

#### Surgery Air Handler Unit:

CHCC replaced the surgery air handler unit that serves five of the hospital's surgery suites and the adjacent sterile areas. The hospital reports that deficiencies in the prior system combined with air quality problems from the surrounding agricultural environment meant that the system's ductwork could potentially have leaked moisture into the surgery suites. Disruption in operating room availability caused by the moisture or ultimate fan failure would have caused surgical delays for patients requiring surgery. Approximately 5,900 surgeries are performed annually in these surgical suites.

#### Patient Equipment:

The new patient care equipment improves access to up-to-date specialized pediatric health care. For example, last year CHCC provided in-home respiratory visits to 17,900 patients, an 11.5% increase over the prior year. The previous in-home ventilators were nearly obsolete, and the vendor planned to discontinue support for them in 2016. A benefit of the new ventilators is that they are owned by CHCC rather than rented, so CHCC can be sure infection control processes are implemented to meet its own standards.

Another example is the new IV dosing system called RIVA, which automatically prepares IV mixtures for both IV bags and IV syringes. Some IV drugs such as fentanyl, morphine, and sodium bicarbonate are in short supply. One of the benefits of the automated system is that it decreases the likelihood of waste by enabling the pharmacy to make incremental doses, thereby helping ensure availability for more patients. Also, the mixing capabilities of the new system means the pharmacy can reduce the amount of pre-mixed products it purchases and improve turnaround times due to efficiency in preparing the solutions.

#### Information Technology

CHCC bought 112 Thinkpads and various software packages for its 23 physician practices. Prior to the purchase, the physicians used paper-based charting. Now, records can be integrated into the patient's medical record and viewed during clinical visits thus avoiding fragmentation and inaccessibility of the records.

*Factor 2: The grant will contribute toward the improvement of child health care or pediatric patient outcomes:*

#### Surgery Air Handler Unit:

Replacing the surgery air handler unit improves patient outcomes by providing the proper volume of conditioned air to the surgery suites. The proper volume of air ensures that positive pressure in the surgery suites is maintained, minimizing the risk of contaminations from adjacent areas and, at the same time, eliminating the likelihood of moisture that can contribute to mold growth. Equipment breakdowns during surgery can directly affect the health of patients and force the shutdown of a hospital's surgical suites which is a tremendous risk to patient outcomes.

### Patient Equipment:

CHCC reports that by keeping the patient care equipment and diagnostic testing systems current with the latest technologies, the hospital can ensure that patients receive the best quality care available to them for early diagnosis and treatment. Examples of new patient care equipment that have significantly improved outcomes for CHCC patients include ventilators, ultrasound machines, and instrument sterilization equipment. For example, CHCC says the RIVA machine increases patient safety by increasing accuracy, and decreasing medication errors.

### Information Technology

PACS is a digital imaging system using computers or networks dedicated to the storage, retrieval, distribution and presentation of images. Prior to upgrading the PACS software, CHCC had two separate PACS systems. One was limited radiological images such as x-rays and the other was specifically used by cardiologists. These images could not be seen together when physicians needed to make side by side comparisons. By adding vendor-neutral archiving, images now can be stored in a single location, enabling images to be integrated into the patient's medical record and accessed at any location, including a physician's smartphone.

### *Factor 3: The children's hospital provides uncompensated or undercompensated care to indigent or public pediatric patients:*

CHCC is a certified California Children's Services (CCS) hospital.<sup>2</sup> The hospital has financial counselors to assist in finding alternative sources of payment from both public and private programs. In fiscal year 2013, Medi-Cal benefits covered 72.6% of the inpatient cases (with 73.7% of patient days covered) and 69.9% of the outpatient visits. The San Joaquin Valley communities served by CHCC are challenged by the state's highest rates of child poverty, including Fresno (27.1%), Tulare (23.5%), Kings (21.7%) and Madera (19.5%).

### *Factor 4: The children's hospital provides services to vulnerable pediatric populations:*

In fiscal year 2013, CHCC had 12,850 inpatient cases, 90,385 emergency department visits and 138,666 outpatient clinic visits. CHCC's service area includes nine largely rural counties totaling 45,000 square miles. The nearest children's hospital is over 200 miles away.

The hospital's extensive range of subspecialties provides families with access to pediatric care in the following areas: cardiology, critical care, emergency medicine, endocrinology, gastroenterology, genetics, hematology, immunology, infectious disease, metabolics, neonatology, nephrology, neurology, oncology, orthopedics, pulmonology, rehabilitation, rheumatology, surgery and urology.

### *Factor 5: The children's hospital promotes pediatric teaching or research programs:*

CHCC is affiliated with the University of California, San Francisco (UCSF) Medical School Residency Program and CHCC's doctors are faculty for the pediatric resident training at CHCC. Additionally, CHCC provides a postgraduate pediatric pharmacy residency program and a fellowship program in critical care pediatric clinical pharmacy. The hospital's nursing education program features a neonatal outreach education program for the region's healthcare providers.

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<sup>2</sup> CCS is a statewide program that arranges, directs, and pays for medical care, equipment, and rehabilitation for children and young adults under 21 years of age who have eligible medical conditions and whose families are unable to pay for all or part of their care.

CHCC is engaged in more than 150 research projects, including 100 oncology/hematology clinical studies. In addition to research efforts aimed at developing investigational devices used in cardiac and orthopedic surgery, CHCC is conducting a retrospective chart review and developing a database to study pediatric valley fever, a flu-like and potentially deadly illness endemic to California's Central Valley caused by inhaling airborne spores of a dirt dwelling fungus.

*Factor 6: Demonstration of project readiness and project feasibility:*

The surgery air handler unit, the patient care equipment, and EMR and PACS devices and software were purchased between October 1, 2012 and December 31, 2013 and are currently in use.

**Sources and Uses of Funds:**

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Prop 3 Request	\$8,077,556	Equipment	\$8,077,556
<b>Total</b>	<b><u>\$8,077,556</u></b>	<b>Total</b>	<b><u>\$8,077,556</u></b>

**Legal Review:**

No information was disclosed to question the financial viability or legal integrity of the applicant.

**Staff Recommendation:**

Staff recommends that the Authority approve Resolution No. CHP-3 2014-01 for Children's Hospital Central California to provide a grant not to exceed \$8,077,556 (less costs of issuance and administrative costs) subject to all requirements of the Children's Hospital Program of 2008.

**RESOLUTION NO. CHP-3 2014-01**

**A RESOLUTION OF THE CALIFORNIA HEALTH  
FACILITIES FINANCING AUTHORITY APPROVING  
EXECUTION AND DELIVERY OF GRANT FUNDING  
UNDER THE CHILDREN'S HOSPITAL BOND ACT OF 2008  
TO THE CHILDREN'S HOSPITAL CENTRAL CALIFORNIA**

WHEREAS, The California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized by the Children's Hospital Bond Act of 2008 (Pt. 6.1 (commencing with Section 1179.50), Div. 1, Health and Safety Code; hereafter the "Act") and implementing regulations to award grants from the proceeds of general obligation bonds in an amount not to exceed \$98,000,000 less the bond issuance and administrative costs to the Children's Hospital Central California ("Grantee") to finance eligible projects; and

WHEREAS, Authority staff reviewed the Grantee's application against the eligibility requirements of the Act and implementing regulations and, pursuant to the Act and implementing regulations, recommends approval of a grant in an amount not to exceed \$8,077,556 less the bond issuance and administrative costs to the Grantee for the eligible project (the "Project") described in the application;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. The Authority hereby approves a grant of \$8,077,556 less the bond issuance and administrative costs to the Grantee to complete the Project as described in the Children's Hospital Program Application and Exhibit A to this Resolution (Exhibit A is hereby incorporated by reference) within a project period that ends on March 30, 2015.

Section 2. The Executive Director is hereby authorized for and on behalf of the Authority, to approve any minor, non-material changes in the Project described in the application submitted to the Authority and extend the project period completion date identified in Section 1 as authorized under the Act and implementing regulations. Nothing in this Resolution shall be construed to require the Authority to provide any additional funding, even if more grants are approved than there is available funding. Any notice to the Grantee shall indicate that the Authority shall not be liable to the Grantee in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Children’s Hospital Bond Act Fund (2008) not to exceed those amounts approved by the Authority for the Grantee. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Grantee any and all documents necessary to complete the transfer of funds that are consistent with the Act and implementing regulations.

Section 4. The Executive Director of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director deems necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 5. This Resolution expires March 30, 2015.

Date Approved: \_\_\_\_\_

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Children's Hospital Central California to reimburse: (1) the purchase and installation of a surgery air handler unit (2) the purchase of patient care equipment that includes ventilators, ultrasound machines, instrument sterilization equipment, an intravenous (IV) dosing system, and other diagnostic and treatment equipment used in the areas of transport, surgery, laboratory, clinics and radiology; and (3) additional information technology devices and software for the Electronic Medical Record (EMR) system and an upgrade of the Picture Archiving and Communication System (PACS) at 9300 Valley Children's Place, Madera, California 93636.